

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Meeting of the Board of Trustees

July 11, 2003

Board members present:

STEVEN JEFFREY, Chairperson, Employee Representative (term expiring July 1, 2004)

DAVID LEWIS, Employer Representative (term expiring July 1, 2003)

JEB SPAULDING, Vermont State Treasurer

Member(s) absent:

W. JOHN MITCHELL, II, Vice-Chairperson, Employee Representative (term expiring July 1, 2005)

Marie Duquette, Governor's delegate

Also attending:

David Minot, Director of Investment Services

Mike and Denise Hall

Mary Ellen Toye

Al Voegel, Joan Boehm and Sherry LaBarge from the Town of Colchester

The Chairperson, Steve Jeffrey, called the meeting to order at 9:06 a.m. on Friday, July 11, 2003, in the Treasurer's Conference Room #1 at 133 State Street, Montpelier, Vermont.

ITEM 1: Approval of minutes for the February 21, 2003. and May 23, 2003 and June 5, 2003 meetings.

On a motion by Mr. Spaulding seconded by Mr. Lewis, the Board approved the February 21, 2003, minutes as amended. Mr. Mitchell and Ms. Duquette abstained as they were not present at the meeting.

On a motion by Mr. Spaulding seconded by Mr. Mitchell, the Board approved the minutes for the May 23, 2003, meeting. Mr. Lewis and Ms. Duquette abstained as they were not present at the meeting.

On a motion by Ms. Duquette seconded by Mr. Lewis, the Board approved the June 5, 2003, minutes. Mr. Lewis and Mr. Mitchell abstained as they were not present at the meeting.

ITEM 2: State Treasurer's Report

Mr. Spaulding informed the Board that he had hired Beth Pearce as his new Deputy Treasurer. Ms. Pearce is a former Deputy Treasurer from Massachusetts. She has been a municipal finance manager in West Hartford, Connecticut and West Chester County in New York. Ms. Pearce has a strong accounting background, particularly in cash management and short-term borrowing. Mr. Spaulding stated that she will be a great addition to the Treasurer's Department.

Mr. Spaulding advised there were no legislative changes to the system during the 2003 session.

Unitization language was distributed. Each Board will designate two people, the chair plus one other, to meet with Mr. Spaulding to develop a proposal to bring back to the Boards for further consideration. The first meeting will be July 21, 2003 in Mr. Spaulding's office at 2:00 p.m. The Board agreed that Mr. Lewis and Ms Duquette will represent the Municipal Retirement System.

ITEM 3: Discuss and act on draft policies for:

a. Town of Colchester

Ms. Webster provided a summary of the policy that had been drafted on behalf of the Town of Colchester to resolve outstanding issues relating to their enrollment in the Vermont Municipal Employees' Retirement System (VMERS). She explained that the Town of Colchester has an existing defined contribution plan and they are looking at the defined benefits structure. They are interested in transferring all or some of their past service if they choose to join the VMERS systems. The actuary did a calculation to determine the cost to transfer liability for the past service. The Town of Colchester asked for a breakdown of the costs per member, instead of as a group plan. When a group calculation is done the actuary uses gender specific tables in calculating the life expectancy. When it was broken down into individual calculations using the gender specific tables, it resulted in a different cost for males and females, which could be seen as discriminatory. When calculating the cost to transition past service to VMERS the actuary has recommend that the board not use the gender specific tables. Calculations can be done on an individual basis, but the unisex tables have to be used which will change the figures that were originally quoted to the Town of Colchester for the individual members.

Historically, when new entities have transferred past service into the VMERS, gender specific tables have been used, but only because service was treated as a group liability and not charged to individual members. Unfunded liabilities resulting from the transfers have been funded over a period of time. The Town of Colchester doesn't want to incur any unfunded liability, but rather will be taking the assets of each individual member to purchase however many years their assets will buy for each individual. The Town has given the police union \$75,000 to put towards the costs of purchased service. The Town will not fund any additional liability, so the assets that are available are the only assets that can be used to purchase past service.

Mrs. Webster proposed that in the future if new entities with existing defined contribution plans wish to join the VMERS and bring in past service, the Board authorize staff to use tables that the actuary has provided to calculate the cost to purchase service on a cost neutral basis.

The Town of Colchester, because of the previous estimates, will be allowed to have the actuary use the unisex tables. It won't be cost neutral for each individual but collectively it will be cost neutral.

The Board was provided with a proposed resolution for the Town of Colchester that included four options for their consideration.

On a motion by Mr. Mitchell seconded by Mr. Spaulding it was unanimously voted to cease the debate.

On a motion by Mr. Spaulding seconded by Ms Duquette, it was unanimously voted to adopt the Town of Colchester's resolutions as drafted, minus option three.

b. New municipalities entering VMERS

A draft policy was distributed for board consideration outlining procedures to follow when new entities elect to participate in the VMERS.

On a motion by Mr. Mitchell seconded by Ms. Duquette, it was unanimously agreed to approve the draft policy for discussion.

Discussion ensued and amendments were suggested to the draft policy that will be incorporated into the final document. A new draft will be presented to the board at the August meeting.

ITEM 4: Approve Prior Service Purchase Agreements for the City of Montpelier and the Montpelier School District.

On a motion by Mr. Mitchell seconded by Ms. Duquette, it was unanimously voted to accept the prior service purchase agreement from the City of Montpelier dated June 11, 2003.

On a motion by Mr. Mitchell seconded by Ms. Duquette, it was unanimously voted to accept the prior service purchase agreement for the Montpelier School District dated June 18, 2003.

ITEM 5: Establish definition of "municipal official".

Material provided in everyone's packet: a proposal for the adoption of a definition of municipal official; a letter to Mr. Hall and a response to Mr. Hall's letter.

Mr. Lewis asked to abstain from the discussion.

On a motion by Mr. Mitchell seconded by Ms. Duquette, it was voted to deny Mr. Hall's appeal of the decision made by staff in regards to his eligibility to run as a municipal official for a seat on the Board. Mr. Lewis abstained.

On a motion by Mr. Mitchell seconded by Ms. Duquette, it was unanimously voted for the Board to work with staff to develop a definition for a municipal official to submit to the legislature.

ITEM 6: Act on request from Mary Ellen Toye to transfer back to the DB plan.

The Board discussed the meaning of "irrevocable decision". Ms Toye expressed concern that a gentleman at Fidelity advised her to take the Defined Contribution plan. Mr. Jeffrey stated he would

ask staff to write a letter to Fidelity to express the Board's concern and request that they investigate Ms. Toye's allegation, and include a copy of Ms. Toye's letter.

On a motion by Mr. Mitchell seconded by Ms. Duquette, it was unanimously voted to deny Ms. Toye's request to be allowed to transfer back to the defined benefit plan, as presented in her letter dated June 25, 2003.

ITEM 7: Ratify motion to approve disability retirement for Brenda Colburn.

On a motion by Mr. Mitchell seconded by Mr. Lewis, it was voted to ratify acceptance by paper ballot of the Medical Review Board's recommendation to approve the disability retirement for Brenda Colburn. Ms. Duquette abstained as she did not participate in the paper ballot vote.

ITEM 8: Any other business to be brought before the board.

The Board discussed a June 30, 2003, letter from New England Pension Consultants (NEPC) that contained information regarding an allocation to a high yield asset class that conflicts with the motion of the Board as outlined in the minutes of the May 23, 2003, meeting. Mr. Minot will research the discrepancies and report back to the Board at the next investment meeting.

The Board expressed appreciation to Ms. Webster for the informative memorandum outlining the business to be discussed at the meeting.

On a motion by Ms. Duquette seconded by Mr. Mitchell, it was unanimously agreed to adjourn at 12.18 p.m.

Respectfully submitted,

Cynthia Webster
Secretary to the Board